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## Taiwan

### Product Brief

### Essential Oils and Odiferous Substances

2001

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#### **Report Highlights:**

**In 2000, Taiwan imported 5,133 metric tons of essential oils and odiferous substances valued at US\$80.3 million. With a 10 percent market share, the United States is the third largest supplier of this category to Taiwan. Demand for these products has been spurred by the increased popularity of aromatherapy, growing consumer interest in essential oils, and the introduction of new products incorporating essential oils. Future growth in usage will depend on consumer education concerning product quality, characteristics, and health benefits.**

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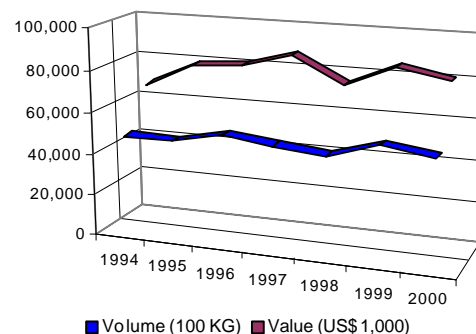
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Includes Trade Matrix: No  
Unscheduled Report  
Taipei ATO [TW2], TW

## Executive Summary

### Market Overview

Domestic production of lavender, peppermint, and citronella plants is marginal. Most of the essential oil and odoriferous substance products in Taiwan are imported. In 2000, Taiwan imported 5,133 metric tons of essential oil and odoriferous substance products, valued at US\$ 80.3 million worth, a 6% decline from 1999. U.S. imports in 2000 remained unchanged at about US \$8.2 million, accounting for 10% of the total essential oil and odoriferous substance import market.

**Total Taiwan Essential Oil & Odoriferous Substance Imports**



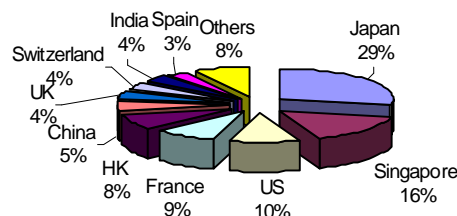
Constraints	Opportunities
<p>I. Low consumer awareness of essential oil product origins, features, and health benefits</p> <p>II. High prices and mixed product quality discourage consumer trial of essential oil products.</p>	<p>III. Aromatherapy is gaining popularity among consumers with more consumers interested in essential oil products.</p> <p>IV. More applications of essential oils are being developed with many new products being introduced into the Taiwan market.</p>

### Market Sector Opportunities And Threats

#### Trade and Competition

In 2000, Japan was the largest exporter to Taiwan with a 29% market share, followed by Singapore (16%), U.S. (10%), France (9%), and Hong Kong (8%). Odoriferous substances account for 80% of the all essential oil and odoriferous substance imports in terms of value. Japan and Singapore are the major suppliers of odoriferous substances. However, China dominated the essential oil category (23%), followed by India (17%), US (16%), Japan (15%), and France (14%).

**2000 Essential Oil & Odoriferous Substance Imports by Country**



Total Taiwan Essential Oil and Odoriferous Substance Imports in Value (US\$1,000)

	1994	1995	1996	1997	1998	1999	2000
US	7,397	8,342	8,850	8,591	9,163	8,223	8,271
World	67,732	78,498	80,769	87,465	74,858	85,454	80,300
US Market Share	11%	11%	11%	10%	12%	10%	10%

## Total Taiwan Essential Oil and Odoriferous Substance Imports in Volume (MT)

	1994	1995	1996	1997	1998	1999	2000
US	491	536	530	517	478	447	557
World	4,757	4,751	5,293	5,015	4,786	5,499	5,133
US Market Share	10%	11%	10%	10%	10%	8%	11%

\* Data Source: Directorate General of Customs, Ministry of Finance, R.O.C.

An overview of the essential oil products imported from the United States versus main competitor by subcategory is as follows:

Essential oil year 2000 import value	Total import (in USD)	Import from US	Main competitor	Import from competitor	US Share Of Market	Competitor SOM	Total export
Bergamot oil	\$21,951	\$1,097	France	\$9,309	5%	42%	\$0
Orange oil	\$344,484	\$79,182	Japan	\$185,748	23%	54%	\$129
Lemon oil	\$1,267,620	\$175,466	Japan	\$1,022,992	14%	81%	\$10,749
Lime oil	\$27,986	\$26,778	Japan	\$983	96%	4%	\$0
Other citrus fruit essential oil	\$548,077	\$430,246	France	\$34,699	79%	6%	\$10,124
Geranium oil	\$30,496	\$3,638	France	\$12,922	12%	42%	\$129
Jasmine oil	\$42,651	\$130	Japan	\$25,824	0%	61%	\$6,513
Lavender oil	\$292,313	\$16,138	France	\$70,246	6%	24%	\$278,672
Lavandin oil	\$112,854	\$0	France	\$112,822	0%	100%	\$0
Peppermint	\$3,900,934	\$1,395,259	India	\$2,304,992	36%	59%	\$2,134,290
Other mints essential oil	\$81,366	\$4,821	Singapore	\$36,655	6%	45%	\$138,826
Vetiver oil	\$10,404	\$0	Thailand	\$3,670	0%	35%	\$1,450
Camphor oil	\$700,569	\$0	China	\$699,389	0%	100%	\$386,389
Citronella oil	\$314,321	\$0	China	\$230,507	0%	73%	\$214,546
Essential oils other than citrus fruit	\$5,150,258	\$325,450	China	\$2,638,460	6%	51%	\$2,418,196
Resinoids	\$350,556	\$41,445	India	\$170,387	12%	49%	\$17,182,568
Extracted oleoresins of pyrethrum	\$350	\$0	Japan	\$350	0%	100%	\$0
Other extracted oleoresins	\$63,117	\$0	India	\$56,437	0%	89%	\$113,349
Other concentrates of essential oils in fats, fixed oils, wax	\$2,961,018	\$78,716	France	\$1,270,547	3%	43%	\$990,469
Total	\$16,221,325	\$2,578,366	China	\$3,779,046	16%	23%	\$23,886,399

\* Data Source: Directorate General of Customs, Ministry of Finance, R.O.C.

As shown in the above table, France and Japan dominated most of the sub-categories except for the following products: lime and other citrus oils which were largely supplied by the United States;

peppermint and resinoids from India; and camphor, citronella and other essential oils from China. Taiwan imported a lot of resinoids, peppermint, and other essential oils including sandalwood, eucalyptus, and tree, and then re-exported some of the extracts of these products. However, exports of essential oils products have been decreasing since many processing firms' facilities are being moved to mainland China to take advantage of lower labor costs.

Below is an overview of odoriferous substance products imported from the United States versus main competitor by subcategory:

Odoriferous substance year 2000 import value	Total import (in USD)	Import from US	Main competitor	Import from competitor	US SOM	Competitor SOM	Total export
Compound alcoholic preparations based on odoriferous substance used for beverage manufacture	\$317,038	\$1,559	Japan	\$214,046	0%	68%	\$0
Other mixtures of odoriferous substances used in the food or drink industries	\$32,899,662	\$2,812,383	Japan	\$16,274,960	9%	49%	\$1,972,581
Other mixtures of odoriferous substances used as raw materials in industry	\$30,862,172	\$2,878,507	Hong Kong	\$6,668,907	9%	22%	\$2,990,497
Total	\$64,078,872	\$5,692,449	Japan	\$20,140,443	9%	31%	\$4,963,078

\* Data Source: Directorate General of Customs, Ministry of Finance, R.O.C.

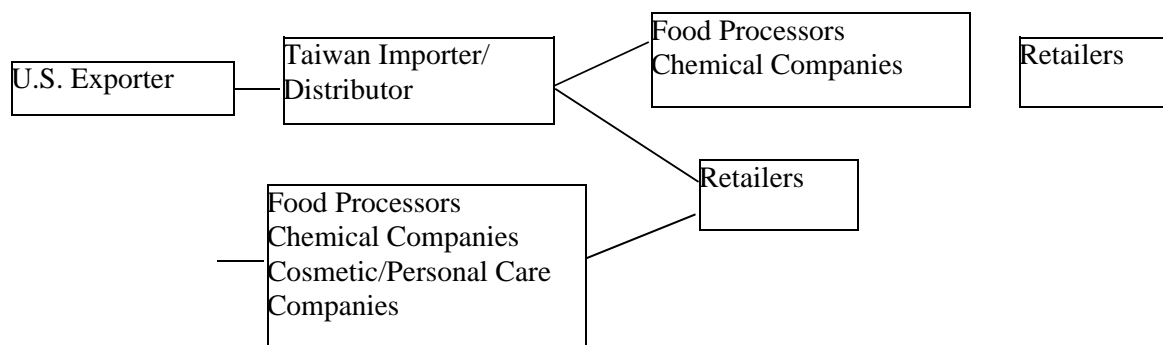
The overall market can be divided into 3 major segments based on product characteristics or uses. Of these 3 segments, 20% of the value is in essential oils, which is the growing segment and parallels the growing consumer interest in new life-style type products. The other 80% of the market is split between the sub-category of "other mixtures of odoriferous substances used in the food or drink industry" (41% of total imports) and "other mixtures of odoriferous substances used as raw materials in industry" (38%).

Major importers of odoriferous substances used as raw materials in industry include companies such as Hawley and Hazel Chemical Taiwan, Unilever Taiwan, Kao Taiwan, Nice Enterprise Company, and Procter and Gamble. The products imported are used in the manufacture of air fresheners, detergents, and personal care products such as shampoo, body cleansers, and toothpaste. Major importers of "compound alcoholic preparations based on odoriferous substance used for beverage manufacture" are food additive importers or beverage manufacturers such as Li Yeh Trading, Cartsang Enterprise, King Car Food Industrial, Shing Chuan Perfumery Chemicals, President, Toong Yeuan Enterprise, Hey-song Corp., I-Mei Foods, and Yakult Foods. While most of the sub-segment categories are experiencing flat growth, the cosmetic and oils/aroma segments are witnessing strong growth in response to new consumer trends. These segments represent the best points of entry for new players.

### Product Uses and Distribution Channels

Aromatic essences are extracted from roots, leaves, flowers, bark or fruits and should contain the nature of essence and biochemistry of the plants from which they have been obtained. Although the main application of pure and blended essential oils is through massage, they can be used in different product forms such as gels, creams, bath products, shampoo, vaporization and inhalation. Pure single or blended essential oil products are available to consumers in department stores, personal stores (e.g. Watson's); health and beauty stores, (e.g. Cosmetics, Boots); beauty salons,

spa shops (e.g. Everal, Aveda, Body Shop); and even a few hotels or through direct marketing and the internet. Aromatherapy is also used in patient care to help alleviate certain symptoms and improve quality of life<sup>1</sup>. Citrus and peppermint essential oils, in odoriferous substance form, are widely used by food processors as flavorings in many food products. Mint-related oils are used in medical products in addition to personal care and food products.



### Industry Preferences and Trends

To take advantage of the popularity of aromatherapy, many companies have introduced products containing essential oils in the last few years. Such products include cosmetic products, personal care products for body, facial, or hair care, and house care products such as air fresheners and detergents. The latest application is for facial tissues. According to a report issued by Taiwan's Directorate General of Customs, Ministry of Finance, February of 2001, total imported cosmetic products including personal cleaning products were valued at US \$532 million in 2000, 11% higher than 1999 and 27% higher than 1995. In terms of suppliers, Japan accounted for 39% of the market, followed by the U.S. (20%), and France (14%). Competition is fierce and essential oils are used to differentiate products for consumers. Some examples are AROMAFIT series (Lancome), BENEFIQUE (Shiseido), Aqua Relax (Biotherm), and AnnaSui that were just launched during the summer of 2001. Some major cosmetic and personal care companies that manufacture products in Taiwan are restricted to importing materials from certain countries based on company policy. Other large importers generally work with foreign suppliers on a long-term basis.

In addition to personal use, essential oil products are also positioned by some companies as good gifts for special occasions like Valentine's Day and Mother's Day. In the food products category, a few companies have launched some new drink flavors, i.e. lavender milk tea and herbal tea drinks, to capitalize on the aromatherapy trend.

### Consumer Preferences And Trends

Working females aged 20 to 45 are reported to be the main target for essential oil products. However, there are also products designed for babies and seniors. Since there are hundreds of essential oil products available in the market, it is difficult for consumers to differentiate their quality because of the absence of transparent standards in Taiwan. Brand awareness is minimal. Objective market research is not available for this category and therefore, the Taiwanese consumers' attitude and preference towards essential oil products is unknown.

Although some companies are promoting the concept of a home spa, currently most of the pure or blended essential oils are consumed through hundreds of beauty salons and spa locations.

<sup>1</sup> 13<sup>th</sup> Issue, August 1999, *Hospice Care Magazine*

Candles containing essential oils seem to have caught consumers' attention because of their novelty, good smell, and affordable price. Future growth of essential oil products will rely on consumer education on product quality, characteristics, and health benefits.

## Costs And Prices

There are no quotas in effect for essential oils and odoriferous substance imports. The following is a list of harmonized system codes and the respective import tariffs for imported essential oils and odoriferous substances. The import tariff is levied on a CIF basis, ad valorem, unless it is otherwise indicated. Imports are subject to random inspection upon entry by Taiwan authorities.

Tariff Item #	Description of Products	Rate of Duty (for US)		
		Current	WTO Accession	WTO Final
33011100007	Bergamot oil	1.25%	1%	0
33011200006	Orange oil	1.25%	1%	0
33011300005	Lemon oil	1.25%	1%	0
33011400004	Lime oil	1.25%	1%	0
33011900009	Other essential oils of citrus fruit	1.25%	1%	0
33012100005	Geranium oil	1.25%	1%	0
33012200004	Jasmine oil	1.25%	1%	0
33012310001	Lavender oil	1.25%	1%	0
33012320009	Lavandin oil	1.25%	1%	0
33012400002	Peppermint oil	1.25%	1%	0
33012500001	Essential oil of other mints	1.25%	1%	0
33012600000	Vetiver oil	1.25%	1%	0
33012910005	Camphor oil	1.25%	1%	0
33012920003	Citronella oil	1.25%	1%	0
33012990008	Other essential oils other than those of citrus fruit	1.25%	1%	0
33013000004	Resinoids	1.25%	1%	0
33019014005	Extracted oleoresins of pyrethrum	2.5%	1%	0
33019019000	Other extracted oleoresins	15%	1%	0
33019090002	Other concentrates of essential oils in fats, fixed oils, waxes or the like obtained by enfleurage or maceration; terpenic by-products of the deterpenation of essential oils; aqueous distillates and aqueous solutions of essential oils	1.25%	1%	0
33021010005	Compound alcoholic preparations based on odoriferous substance, of a kind used for the manufacture of beverages, with an alcoholic strength by volume exceeding 0.5% vol.	25%*	1%	0

33021090008	Other mixtures of odoriferous substances and mixtures with a basis of one or more of these substances, of a kind used in the food or drink industries	1.25%	1%	0
33029000000	Other mixtures of odoriferous substances and mixtures with a basis of one or more of these substances, of a kind used as raw materials in industry	1.25%	1%	0

Data Source: Directorate General of Customs, Ministry of Finance, R.O.C.

\* Import application can be made only by Taiwan Tobacco And Wine Bureau (TTWB), or an approval from TTWB is required.

There are also several miscellaneous fees, as listed below:

Harbor construction fee	0.3% of CIF value (sea shipment only)
Trade promotion fee	0.0425% of CIF value
Customs clearance fee per shipment	NT \$3,500 (Approximately US\$114)

## Market Access

### Labeling Requirements

According to Taiwan's Law Governing Food Sanitation, promulgated in 1975 and amended in 1998, pre-packed foods or food additives shall conspicuously indicate in Chinese and common symbols the following material facts on the container or packaging:

- I. Product name
- II. Name, weight, volume or quantity of the content or, in the case of a mixture of two or more ingredients, each of the ingredients
- III. Name of food additive
- IV. Name, telephone number, and address of the manufacturer and importer
- V. Expiry date (year, month, date) must be printed in that order. To distinguish the month from the date, the Chinese characters for "month" and "date" may be included on the label. Date of manufacture, shelf life or storage instructions shall also be indicated if required by the health authorities.
- VI. For those products destined for repackaging/reprocessing in Taiwan, the Chinese labeling may be affixed prior to sale.

Note that Taiwan's Chinese-language labeling requirements apply only to items intended for retail sale. An importer may be exempted from the labeling requirements items in bulk packaging intended for sale to food processors, HRI customers etc. by applying for a waiver.

### Food Additive Regulations

Imported processed food products, which contain artificial food additives, are subject to strict tolerance levels and acceptable use requirements for food additives as prescribed by Taiwan's Department of Health (DOH). The DOH's "Compilation of Food Sanitation Regulations" covers several hundred food additive standards and regulations. DOH has a useful website with the additives listed in English (<http://www.doh.gov.tw>). Imported foods are commissioned to be inspected at the port of entry by the Bureau of Standards, Metrology, and Inspection (BSMI), Ministry of Economic Affairs (MOEA). The food safety inspection focuses on labeling, food hygiene, and food additives.

**Key Contacts: Taiwan Importers of Essential Oils and Odoriferous Substance Products**

To obtain a list of Taiwan importers, please contact:

Agricultural Trade Office  
AIT Taipei  
54 Nanhai Road  
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Tel: (886-2) 2305-4883 ext. 248  
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